

JX 7

From: Tim Turner <tturner@AltaMesa.net> on behalf of
Tim Turner <tturner@AltaMesa.net>
Sent: Thursday, August 24, 2017 1:51 AM
To: Kaitlyn Mathews <KMathews@AltaMesa.net>
Cc: Tamara Alsarraf <talsarraf@AltaMesa.net>; Kevin J. Bourque
<kbourque@AltaMesa.net>
Subject: Re: Tomorrow's Discussion
Attach: image001.png

Much closer to Aries. I'm still not sure why July accounting was 1.5B unless there were some adjustments.

Tim

On Aug 23, 2017, at 8:34 PM, Kaitlyn Mathews <KMathews@AltaMesa.net> wrote:

Tim, you are correct we were applying 35% on the wrong node. How do these number look? They are more in line with LOS. Gas still seems kind of low but this could be due to the negative gas volumes we are still working to zero out in Aries for Carte. This must have been overwritten when we were updating flows to facilities in the project.

Tamara, if Tim agrees to these I can get you the full detail.

<image001.png>

From: Tim Turner
Sent: Wednesday, August 23, 2017 7:45 PM
To: Kaitlyn Mathews <KMathews@AltaMesa.net>
Subject: RE: Tomorrow's Discussion

Might make a small difference, but this difference is too large. It seems the KFM wells have 35% shrink when it's closer to 15%.

From: Kaitlyn Mathews
Sent: Wednesday, August 23, 2017 7:37 PM
To: Tim Turner <tturner@AltaMesa.net>
Subject: RE: Tomorrow's Discussion

Could our net numbers be low because WI was last updated at the end of 2Q?

I compared the LOS to our historical number earlier and our net seems to be low but our gross was slightly higher.

From: Tim Turner
Sent: Wednesday, August 23, 2017 7:30 PM
To: Kaitlyn Mathews <KMathews@AltaMesa.net>
Subject: Re: Tomorrow's Discussion

Tamara is using Enersight net volumes for Aug-Sep. July actual was 1.5 bcf and forecast for Aug was below 1.0 bcf.

Tim

On Aug 23, 2017, at 7:27 PM, Kaitlyn Mathews <KMathews@AltaMesa.net> wrote:

So y'all are thinking these numbers are all wrong?

From: Tim Turner

Sent: Wednesday, August 23, 2017 7:08 PM

To: Kaitlyn Mathews <KMathews@AltaMesa.net>

Cc: Tamara Alsarraf <talsarraf@AltaMesa.net>; Kevin J. Bourque <kbourque@AltaMesa.net>;

Hal H. Chappelle <hchappelle@AltaMesa.net>; David McClure <dmcclure@AltaMesa.net>;

Michael A. McCabe <mmccabe@AltaMesa.net>

Subject: Re: Tomorrow's Discussion

Looks like everything has a 35% shrink.

Tim

On Aug 23, 2017, at 7:02 PM, Kaitlyn Mathews <KMathews@AltaMesa.net> wrote:

Tamara, that is the raw gas stream which is gas volume before the shrink is applied. You need to compare that with the flow gas stream. This is my mistake since I did not include it in the well by well. Please see attachment. I spot checked the flow gas numbers and they agree with the production gas volume.

These numbers are pulled from Carte, into Aries, into Enersight.

From: Tamara Alsarraf

Sent: Wednesday, August 23, 2017 6:14 PM

To: Kevin J. Bourque <kbourque@AltaMesa.net>; Hal H. Chappelle <hchappelle@AltaMesa.net>; David McClure <dmcclure@AltaMesa.net>; Kaitlyn Mathews <KMathews@AltaMesa.net>

Cc: Tim Turner <tturner@AltaMesa.net>; Michael A. McCabe <mmccabe@AltaMesa.net>

Subject: RE: Tomorrow's Discussion

Kaitlyn – see below.

Is there a reason that the “Raw Gas” total on the well by well tab doesn’t equal the monthly totals on the “Production Volumes – Net” tab?

For example, Sep gas = 932,884 on the Production Volumes Net tab, but raw gas production equals 1,386,915 on the Well by Well Net tab.

From: Kevin J. Bourque

Sent: Wednesday, August 23, 2017 6:13 PM

To: Hal H. Chappelle <hchappelle@AltaMesa.net>; David McClure <dmcclure@AltaMesa.net>; Tamara Alsarraf <talsarraf@AltaMesa.net>

Cc: Tim Turner <tturner@AltaMesa.net>; Michael A. McCabe

<mmccabe@AltaMesa.net>

Subject: RE: Tomorrow's Discussion

That should pull from Carte, into Aries, into Enersite.

-----Original Message-----

From: Tamara Alsarraf [talsarraf@AltaMesa.net]

Received: Wednesday, 23 Aug 2017, 6:11PM

To: David McClure [dmccclure@AltaMesa.net]; Hal H. Chappelle [hchappelle@AltaMesa.net]

CC: Tim Turner [tturner@AltaMesa.net]; Michael A. McCabe

[mmccabe@AltaMesa.net]; Kevin J. Bourque [kbourque@AltaMesa.net]

Subject: RE: Tomorrow's Discussion

We got the production for Q3 from Enersight. Looks like there are issues with these numbers. If there is a better source of near-term projections (i.e. 30-60 days out), let me know, and I'll use those in my model instead.

-----Original Message-----

From: David McClure

Sent: Wednesday, August 23, 2017 6:06 PM

To: Hal H. Chappelle <hchappelle@AltaMesa.net>

Cc: Tamara Alsarraf <talsarraf@AltaMesa.net>; Tim Turner <tturner@AltaMesa.net>;

Michael A. McCabe <mmccabe@AltaMesa.net>; Kevin J. Bourque

<kbourque@AltaMesa.net>

Subject: Re: Tomorrow's Discussion

For starters, where did he get the production information?

Carte and Aries may be behind as the updated Carte does not have any Hinkle-operated wells. Not sure about Aries updates.

Just a thought.

As for KFM, I do not know pf anything that would have impacted produced volumes as they were moving gas to Superior and ETC to make up for any deficiencies. They had during the month.

Sent from my iPhone

David McClure

936.525.0421

> On Aug 23, 2017, at 5:46 PM, Hal H. Chappelle <hchappelle@AltaMesa.net> wrote:

>

> Can we get any info from Ron, et al re potential accounting adjustment on gas ?

>

> Sent from my iPhone

>

>> On Aug 23, 2017, at 5:34 PM, Tamara Alsarraf <talsarraf@AltaMesa.net> wrote:

>>

>> Here are my draft responses.

>>

>> 1) What is driving the ~35% drop in gas production from July to August? That seems like a fairly staggering drop in 1 month. I'll note that it drops again in September m-o-m. This seems to be more of an accounting issue, as Jun/Jul reported numbers were ~30% higher than the previous 5 months. After we sent out the model, Kaitlyn sent me a revised Q3 forecast which maintains the same level of gas production as Jan-May. It maintains your question, so we will need to figure out why gas production levels were out of the norm in Jun/Jul. I will follow up with Kevin/Kaitlyn on why there is a projected 30% drop from Aug to Sep.

>> [cid:image003.png@01D31C35.FBFDB930]

>> 2) Related to #1 – is this a KFM plant-related issue? Same as above.

>> 3) When I sum the net operating expenses for Q3 in the model (line 62, cells BA-BC), I get \$8.7mm. But on slide 12 of the presentation, you show \$44mm of net operating expenses for the quarter. What is the delta attributed to? Error on that line in the model (only for quarterly numbers, but was correct for monthly and yearly). Thanks for catching!

>> 4) Slide 12 of the presentation – the footnote states the operations team is currently revising the Q3 forecast; is the general expectation that volumes will be higher or lower than what we're currently looking at? They sent me revised Q3 production forecast at 4:30pm today, after we sent out the slide deck. I have uploaded them in the model and they will be reflected in an updated version of the deck we use tomorrow. The production is slightly higher, but not much different. I've attached the Enersight reports that contain the shut-in and well by well production assumptions that generate the Q3 monthly projections.

>> 5) You show a \$33.2mm 2017 full-year G&A figure Fixed this. It was total company G&A, not just Oklahoma.

>> a. Is this just STACK related G&A?

>> b. On slide 12, it looks like the run-rate G&A is \$43.6mm; why would it not be \$33.2mm? Is the G&A back-year loaded?

>> c. Is there any way to push G&A from Q3 to Q4?

>> 6) In terms of cash flow outspend for the Q3; is the easiest way to look at this in the model on the AMR tab; line 152 – senior debt outstanding? It looks like outspend is about \$13mm for the quarter, correct? What I'm trying to get at is contribution equity value adjustments for the SRII deal. Obviously, we'd like this outspend to be negative so as to get potentially more equity consideration in the transaction – realize we have to balance that with growth. Correct, the \$13MM represents the projected outspend in Sep-Oct.

>>

>>

>> From: Hal H. Chappelle

>> Sent: Wednesday, August 23, 2017 4:59 PM

>> To: Tim Turner <tturner@AltaMesa.net>; Tamara Alsarraf <talsarraf@AltaMesa.net>

>> Cc: Michael A. McCabe <mmccabe@AltaMesa.net>

>> Subject: Fwd: Tomorrow's Discussion

>>

>> Tim/ Tamara - Can you draft responses to 1-4?

>>

>> Mike - can you draft a response to 5?

>>

>> Sent from my iPhone

>>

>> Begin forwarded message:

>> From: William McMullen

>> <will@bayoucityenergy.com<<mailto:will@bayoucityenergy.com>>>

>> Date: August 23, 2017 at 4:53:00 PM CDT

>> To: Tamara Alsarraf

>> <talsarraf@AltaMesa.net<<mailto:talsarraf@AltaMesa.net>>>, "Hal H. Chappelle" <hchappelle@AltaMesa.net<<mailto:hchappelle@AltaMesa.net>>>, "Michael A. McCabe" <mmccabe@AltaMesa.net<<mailto:mmccabe@AltaMesa.net>>>, "Tim Turner" <tturner@AltaMesa.net<<mailto:tturner@AltaMesa.net>>>

>> Cc: Mark Stoner

>> <mark@bayoucityenergy.com<<mailto:mark@bayoucityenergy.com>>>, Andrew Koehler

>> <andrew@bayoucityenergy.com<<mailto:andrew@bayoucityenergy.com>>>

>> Subject: RE: Tomorrow's Discussion

>> A few quick hits/questions on the model; I welcome others input/questions too:

>>

>> 1) What is driving the ~35% drop in gas production from July to August? That seems like a fairly staggering drop in 1 month. I'll note that it drops again in September m-o-m.

>> 2) Related to #1 – is this a KFM plant-related issue?

>> 3) When I sum the net operating expenses for Q3 in the model (line 62, cells BA-BC), I get \$8.7mm. But on slide 12 of the presentation, you show \$44mm of net operating expenses for the quarter. What is the delta attributed to?

>> 4) Slide 12 of the presentation – the footnote states the operations team is currently revising the Q3 forecast; is the general expectation that volumes will be higher or lower than what we're currently looking at?

>> 5) You show a \$33.2mm 2017 full-year G&A figure

>> a. Is this just STACK related G&A?

>> b. On slide 12, it looks like the run-rate G&A is \$43.6mm; why would it not be \$33.2mm? Is the G&A back-year loaded?

>> c. Is there any way to push G&A from Q3 to Q4?

>> 6) In terms of cash flow outspend for the Q3; is the easiest way to look at this in the model on the AMR tab; line 152 – senior debt outstanding? It looks like outspend is about \$13mm for the quarter, correct? What I'm trying to get at is contribution equity value adjustments for the SRII deal. Obviously, we'd like this outspend to be negative so as to get potentially more equity consideration in the transaction – realize we have to balance that with growth.

>>

>> Thanks,

>>

>> Will

>>

>> William W. McMullen | Founder & Managing Partner Bayou City Energy |
 >> www.bayoucityenergy.com<<https://protect-us.mimecast.com/s/6RQZBvSaJ3Zhl?domain=urldefense.proofpoint.com>>
 >> 1201 Louisiana Street, Suite 3308 | Houston | TX | 77002
 >> O: 713.400.8210 | C: 832.385.0859 | E:
 >> will@bayoucityenergy.com<<mailto:will@bayoucityenergy.com>>

>>

>> From: Tamara Alsarraf [<mailto:talsarraf@AltaMesa.net>]
 >> Sent: Wednesday, August 23, 2017 3:21 PM
 >> To: William McMullen
 >> <will@bayoucityenergy.com<<mailto:will@bayoucityenergy.com>>>; Hal H.
 >> Chappelle <hchappelle@AltaMesa.net<<mailto:hchappelle@AltaMesa.net>>>;
 >> Michael A. McCabe
 >> <mmccabe@AltaMesa.net<<mailto:mmccabe@AltaMesa.net>>>; Tim Turner
 >> <tturner@AltaMesa.net<<mailto:tturner@AltaMesa.net>>>
 >> Cc: Mark Stoner
 >> <mark@bayoucityenergy.com<<mailto:mark@bayoucityenergy.com>>>; Andrew
 >> Kochler
 >> <andrew@bayoucityenergy.com<<mailto:andrew@bayoucityenergy.com>>>
 >> Subject: RE: Tomorrow's Discussion

>>

>> BCE Team,

>>

>> See attached for a deck with our budget scenarios that we can use in our discussion tomorrow. I've included a link to our financial model as well. If that doesn't not work, I've attached a summary excel.

>>

>> Full model:
 >> <https://altamesa.sharefile.com/d-s344324393964041b><<https://protect-us.mimecast.com/s/NV6xBkcXJWbtl?domain=altamesa.sharefile.com>>

>>

>> Please let us know if you have any questions.

>>

>> Thanks,

>> Tamara

>>

>> From: William McMullen [<mailto:will@bayoucityenergy.com>]
 >> Sent: Wednesday, August 23, 2017 9:47 AM
 >> To: Hal H. Chappelle
 >> <hchappelle@AltaMesa.net<<mailto:hchappelle@AltaMesa.net>>>; Michael A.
 >> McCabe <mmccabe@AltaMesa.net<<mailto:mmccabe@AltaMesa.net>>>; Tim
 >> Turner <tturner@AltaMesa.net<<mailto:tturner@AltaMesa.net>>>; Tamara
 >> Alsarraf <talsarraf@AltaMesa.net<<mailto:talsarraf@AltaMesa.net>>>
 >> Cc: BCE 1
 >> <mark@bayoucityenergy.com<<mailto:mark@bayoucityenergy.com>>>; BCE 3
 >> <andrew@bayoucityenergy.com<<mailto:andrew@bayoucityenergy.com>>>

>> Subject: Tomorrow's Discussion

>>

>> All,

>>

>> I know there have been multiple discussions going on with Mark regarding the "budget meeting" tomorrow. But, from my perspective, the key things I want to walk away understanding are as follows:

>>

>> Q3 EBITDA projection - its components, how we get there, etc... (as

>> we de-spac, this will probably be the most important number that the

>> SPAC investors, and other potential institutional investors will be

>> focused on)

>>

>> Q4 EBITDA projection - its components, how we get there, etc... (this

>> will be important in showing the ramp into 2018)

>>

>> Cash flow management between now and the de-SPAC - obviously, we want to do our best to balance the "ramp" into 2018 while also doing our best to manage this ramp within cash flow in order to preserve our collective equity value with SRIL. This also entails a discussion around drillco - should we ramp it during this interim period?

>>

>> Inorganic Acquisitions - Targets and actionability of those targets ahead of the de-spac; discussion around purchasing drillco volumes ahead of de-spac (will this count as an "inorganic acquisition"? - if yes, this will help preserve equity value and will further help to grow organically within cash flows through this interim period if we can make the effective purchase date of those drillco volumes as of July 1).

>>

>> Non-Stack Assets - Progress on divestitures? Use of proceeds?

>>

>> KFM - what do their Q3/Q4 EBITDA projections look like? What is our confidence in those projections? Given that AMR is now AMH STACK + KFM, it is critically important we have a good grasp on their financials.

>>

>> Hedging - Strategy between now and de-spac? Any thoughts on selling options to collect cash and pay down debt?

>>

>> This is meant to be a strategic, collegial, discussion on how to best position the company financially between now and the de-spac date.

>>

>> Ahead of tomorrow, it would be very, very, helpful if BCE can review the model that is generating the components/outputs of the 2H 2017 projections.

>>

>> Thanks,

>>

>> Will

>>

>>

>>

>> William W. McMullen | Managing Partner Bayou City Energy |

>> www.bayoucityenergy.com<<https://protect-us.mimecast.com/s/bAIEB3iqv3V>

>> [Iq?domain=bayoucityenergy.com](mailto:will@bayoucityenergy.com)>

>> 1201 Louisiana Street, Suite 3308 | Houston | TX |

>> 77002<x-apple-data-detectors://7/2>

>> O: 713.400.8210<<tel:713.400.8210>> | C: 832.385.0859<<tel:832.385.0859>>

>> | E: will@bayoucityenergy.com<<mailto:will@bayoucityenergy.com>>

>> <8 23 2017 4th Frac Crew production numbers.xlsx> <image003.png>

<08 23 2017 4th frac crew well by well with FG.xlsx>

<08 23 2017EnersightNetKFMShrink15.xlsx>